

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
Docket No. 2014-13-A
March 26, 2015

IN RE: Application of Chem-Nuclear Systems, LLC,)
a Subsidiary of EnergySolutions Company for) **SETTLEMENT AGREEMENT**
Adjustment in the Levels of Allowable Costs) **(FOR FISCAL YEAR 2014-2015)**
and for Identification of Allowable Costs)

This Settlement Agreement is made by and between Chem-Nuclear Systems, LLC, a subsidiary of Energy Solutions Company (“Chem-Nuclear” or “Company”) and the South Carolina Office of Regulatory Staff (“ORS”) (collectively referred to as the “Parties”) with respect to the Application and Amended Application of Chem-Nuclear Systems, LLC, for Fiscal Year 2014-2015 (“Amended Application”) pending before the Public Service Commission of South Carolina (“Commission”) in Docket No. 2014-13-A.

WHEREAS, the Company filed an Application, dated September 26, 2014, (“Application”) in this docket by which Chem-Nuclear requested the Commission to identify certain “allowable costs” for the Company’s fiscal years 2013-2014 and 2014-2015, in accordance with the provisions of S.C. Code Ann. § 48-46-10, et seq. (Rev. 2008 & Supp. 2014), and with the Commission’s rules and regulations; and

WHEREAS, ORS conducted an examination of the allowable costs to be identified and recovered in Chem-Nuclear’s Application; and

WHEREAS, Chem-Nuclear filed an Amended Application, dated March 5, 2015 and a Second Amended Application, dated March 19, 2015, in this docket in accordance with S.C.

Code Ann. § 48-46-40(B)(4) (Rev. 2008 & Supp. 2014) and the Commission's rules and regulations; and

WHEREAS, the Company's Second Amended Application resolved the concerns of the ORS pursuant to its examination; and

WHEREAS, on March 19, 2015, the Prefiled Amended Direct Testimony of Michael J. Benjamin was filed on behalf of Chem-Nuclear reflecting the position of the Company as contained in its Second Amended Application; and

WHEREAS, the Report of ORS Auditor, Daniel Sullivan, of the review and examination of Chem-Nuclear's Application and Amended Application, dated March 11, 2015 ("Report"), is attached to this Agreement and incorporated by reference ("Attachment A"); and

WHEREAS such Report summarizes the Company's Amended Application and concurs with the request of the Company as contained in the Second Amended Application; and

WHEREAS, the Parties to this Agreement believe that it is in their best interests and those of the State of South Carolina to enter into a Settlement Agreement relating to this matter in order to avoid the additional expense which the litigation of their positions would occasion in this proceeding.

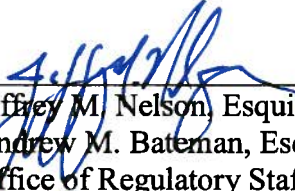
WHEREFORE, the Parties to this Agreement enter into it on the following terms:

1. The Parties agree to the Actual Costs of Fiscal Year 2013-2014, including fixed costs, irregular costs, variable labor and non-labor costs and vault costs as specified in Chem-Nuclear's Amended Application.
2. The Parties agree on the calculation of projected costs for Fiscal Year 2014-2015 as specified in Chem-Nuclear's Second Amended Application.
3. The Parties agree that the Second Amended Application accurately reflects the

agreed upon positions of the Company and ORS in this matter.

4. Chem-Nuclear agrees that Michael J. Benjamin will present testimony at the hearing in this matter consistent with his amended prefiled direct testimony, the Second Amended Application and the terms of this Settlement Agreement.
5. Upon execution of this Settlement Agreement, ORS will file an original of this Settlement Agreement with the Commission and serve a copy of it upon all parties of record in Commission Docket No. 2014-13-A.
6. The Parties agree that by signing this Settlement Agreement, it will not constrain, inhibit or impair in any way their arguments or positions they may choose to take in future proceedings. If the Commission should decline to approve the Settlement Agreement in its entirety, then any or all of the Parties may withdraw from the Settlement Agreement without prejudice.
7. This Settlement Agreement shall be interpreted according to South Carolina law.
8. The Parties acknowledge their consent and agreement to the terms of this Settlement Agreement by authorizing their respective counsel to affix his or her signature to this document where indicated below. Counsel's signature constitutes a representation that his or her client has authorized the execution of this Settlement Agreement. Facsimile signatures and email signatures shall be as effective as original signatures. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement.

Representing and binding the Office of Regulatory Staff:



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March 27, 2015

Representing and binding Chem-Nuclear Systems, LLC, a Subsidiary of Energy Solutions Co.:



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March 26, 2015

**SOUTH CAROLINA OFFICE OF REGULATORY STAFF****EXAMINATION REPORT FOR DOCKET NO. 2014-13-A****THE APPLICATION OF CHEM-NUCLEAR SYSTEMS, LLC, A SUBSIDIARY OF ENERGYSOLUTIONS COMPANY, FOR ADJUSTMENT IN THE LEVELS OF ALLOWABLE COSTS AND FOR IDENTIFICATION OF ALLOWABLE COSTS**

On September 26, 2014, Chem-Nuclear Systems, LLC ("Chem-Nuclear") filed an application for Adjustment in the Levels of Allowable Costs for the Fiscal Year Ending June 30, 2014 and for Identification of Allowable Costs for the Fiscal Year Ending June 30, 2015, pursuant to Public Service Commission of South Carolina ("PSC" or "Commission") Order No. 2014-451 in Docket No. 2013-13-A.

Effective July 1, 2008, Pursuant to S.C. Code Ann. § 48-46-40 (A)(6)(a), (Rev. 2008 & Supp. 2014), Chem-Nuclear can only accept waste generated within the three Atlantic Compact states, South Carolina, New Jersey and Connecticut. Additionally, since July 1, 2008, Chem-Nuclear commenced site closure ("institutional") activities parallel to its site disposal operating ("operational") activities. These institutional costs include site maintenance, monitoring, security, other administrative expenses and license costs, and are paid from the Barnwell Decommissioning Trust Fund each year. Remaining reimbursable costs are included as operating costs in Chem-Nuclear's application for reimbursement filed with the Public Service Commission.

The South Carolina Office of Regulatory Staff ("ORS") completed an examination of the application and the underlying financial records of Chem-Nuclear for the operation of its regional low-level radioactive waste disposal facility located in the vicinity of Barnwell, South Carolina. Based on this examination, ORS recommended adjustments to Chem-Nuclear's Fixed costs, Variable costs and Irregular costs for the fiscal year ending June 30, 2014. These adjustments were discussed with members of Chem-Nuclear's management who agreed with the propriety of the adjustments.

A comparison of the allowable reimbursable costs to the amounts authorized by the PSC in Order No. 2014-451 dated June 3, 2014, was prepared by ORS Audit Staff. This comparison is attached herewith as Exhibit A. As shown on Exhibit A, ORS recommends that Chem-Nuclear

be allowed to retain, as recovery of their expenditures in operating the Barnwell Low Level Radioactive Waste Storage Facility for the fiscal year ending June 30, 2013, the following:

- \$ 3,387,466 in Fixed Costs
- \$ 388,391 in Variable Costs
- \$ 225,550 in Irregular Costs

In conjunction with procedures performed for the fiscal year ending June 30, 2014, ORS also examined transactions recorded by Chem-Nuclear for the period beginning July 1, 2014, and extending through December 31, 2014. Based on this examination, ORS recommended adjustments to Chem-Nuclear's Projected Fixed and Irregular costs for the fiscal year ending June 30, 2015, as listed in Exhibit AA. These adjustments were discussed with members of Chem-Nuclear's management who agreed with their propriety.



Daniel F. Sullivan, Senior Audit Manager
March 19, 2015

Chem-Nuclear Systems, LLC
Operating Experience and Reimbursable Costs
For the Twelve Months Ended June 30, 2014

Exhibit A
Page 1 of 2

	Per Amended Application	Commission Order No. 2014- 451	Actual Costs Over (Under) Commission Allowed
<u>Fixed Costs</u>			
Labor, Fringe and Non-Labor	\$ 2,090,975	\$ 2,075,258	\$ 15,717
Corporate Allocations (G&A)	623,873	590,777	33,096
Equipment Leases and Support	189,790	191,200	(1,410)
Depreciation	73,870	76,972	(3,102)
Insurance	375,141	352,509	22,632
Legal (License Appeal)	33,817	33,016	801
Total Fixed Costs	\$ 3,387,466	\$ 3,319,732	\$ 67,734
<u>Variable Costs</u>			
Vault Cost	\$ 156,249	\$ 352,518	\$ (196,269)
Labor and Non-Labor Costs	232,142	164,479	67,663
Total Variable Costs	\$ 388,391	\$ 516,997	\$ (128,606)

Chem-Nuclear Systems, LLC
Operating Experience and Reimbursable Costs
For the Twelve Months Ended June 30, 2014

Exhibit A
Page 2 of 2

	Per Amended Application	Commission Order No. 2014- 451	Actual Costs Over (Under) Commission Allowed
<u>Irregular Costs</u>			
Various Trenches (Design, Construct, and Backfill)			
Labor	14,322		
Non-Labor	35,475		
Total	\$ 49,797	\$ 96,250	\$ (46,453)
License Renewal and Appeal Costs			
Labor	-		
Non-Labor	-		
Total	-	10,000	(10,000)
Decontamination & Corrective Actions			
Labor	1,289		
Non-Labor	31		
Total	1,320	5,000	(3,680)
Trench Records Software			
Labor	669		
Non-Labor	3,816		
Total	4,485	-	4,485
Site Assessments			
Labor	-		
Non-Labor	-		
Total	-	5,000	(5,000)
Site Maintenance			
Labor	28,351		
Non-Labor	75,867		
Total	104,218	-	104,218
Site Engineering and Drawing Updates			
Labor	224		
Non-Labor	311		
Total	535	97,000	(96,465)
Other Irregular Costs			
Labor	(2)		
Non-Labor	-		
Total	(2)	-	(2)
Severance/Incentive			
Labor	65,197		
Non-Labor	-		
Total	65,197	-	65,197
Miscellaneous			
Labor	-		
Non-Labor	-		
Total	-	20,000	(20,000)
Total Irregular Costs	\$ 225,550	\$ 233,250	\$ (7,700)

Chem-Nuclear Systems, LLC
Proposed Fixed, Irregular and Variable Costs
For the Fiscal Year Ending June 30, 2015
To Date

Exhibit AA

Page 1 of 2

	<u>Per Amended</u> <u>Application</u>	<u>Actual Through</u> <u>12/31/2014</u>	<u>Difference</u>
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FIXED COSTS**Fixed Costs to which 29% operating margin is added:**

Labor, Fringe and Non-Labor	\$ 2,147,489	\$ 1,049,180	\$ 1,098,309
Corporate Allocations (Management Fees/G&A)	629,865	297,309	332,556
Depreciation	112,578	53,534	59,044
Insurance	366,252	115,388	250,864
Equipment Leases and Support	297,983	189,554	108,429
Total Margin Costs	3,554,167	1,704,965	1,849,202

Fixed Costs to which 29% operating margin is not added:

Legal Support (license appeal)	150,000	68,451	81,549
Total Non-margin Costs	150,000	68,451	81,549
Total Fixed Costs	\$ 3,704,167	\$ 1,773,416	\$ 1,930,751

IRREGULAR COSTS

Trench Construction	\$ 150,000	\$ 18,721	\$ 131,279
License Appeal	300,000	142,827	157,173
Corrective Action	2,000	352	1,648
Trench Software	5,000	2,185	2,815
Site Engineering Drawings	1,000	473	527
Site Maintenance	50,000	2,830	47,170
Severance/Incentive	12,369	12,369	-
Total Irregular Costs	\$ 520,369	\$ 179,757	\$ 340,612

Chem-Nuclear Systems, LLC
Proposed Fixed, Irregular and Variable Costs
For the Fiscal Year Ending June 30, 2015
To Date

Exhibit AA

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VARIABLE RATES

	<u>Costs</u>	<u>Variable Factor</u>
Variable Labor and Non-Labor Rates		
Vault Purchase & Inspection	\$ <u>347.79</u>	Per Vault
A B C Waste Disposal	\$ <u>2,420.16</u>	Per Shipment
Slit Trench Shipment	\$ <u>38,464.87</u>	Per Offload
Customer Assistance	\$ <u>121.77</u>	Per Shipment
Trench Records	\$ <u>366.31</u>	Per Container
Variable Material Cost Rates (Vaults)		
Class A Waste	\$ <u>35.20</u>	Per Cubic Foot
Class B Waste	\$ <u>48.16</u>	Per Cubic Foot
Class C Waste	\$ <u>57.56</u>	Per Cubic Foot
Slit Trench Waste	\$ <u>153.18</u>	Per Cubic Foot